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1 RECORD OF ORAL HEARING
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3 UNITED STATES PATENT AND TRADEMARK OFFICE
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5
6 BEFORE THE BOARD OF PATENT APPEALS
7 AND INTERFERENCES
8

9
10 Ex parte TOM VICKNAIR, SAM BEARD, RICHARD NORMAN,
11 MARK RIGGLEMAN, MAX ROYCROFT, DICK FEAGIN,
12 CLIFF DAY, and PAUL FIELDING
13

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15 Appeal 2009-0342
16 Application 09/728,340
17 Technology Center 3600
18

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20 Oral Hearing Held: February 10, 2009
21

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24 Before DAVID B. WALKER, MURRIEL E. CRAWFORD, and BIBHU R.
25 MOHANTY, Administrative Patent Judges
26

27
28 ON BEHALF OF THE APPELLANT:
29

30 STEVEN SCHREINER, ESQUIRE
31 Goodwin Procter, LLP
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33 Washington, D.C. 20001

34 The above-entitled matter came to be heard on Tuesday, February 10,
35 2009, commencing at 9:12 a.m., at the United States Patent and Trademark
36 Office, 600 Dulany Street, 9th Floor, Alexandria, Virginia, before Paula
37 Lowery, Notary Public.

PROCEEDINGS

THE CLERK: Good morning. Calendar Number 17, Appeal Number 2009-0342, Mr. Schreiner.

JUDGE CRAWFORD: Good morning.

MR. SCHREINER: Good morning, members of the Board.

My name is Steven Schreiner. I'm from Goodwin Proctor, and I'm here on behalf of the appeal of Application Number 09/728,340, entitled Electronic Check Presentment System and Method Having an Item Sequence Capability.

Procedurally, this case was appealed once before. It didn't make its way to the Board. An appeal brief was filed. The Examiner came back and reopened prosecution, keeping the primary reference, which as I'll explain today is very deficient, and picking up a secondary reference that doesn't cure the deficiencies of the primary reference.

So we're here now on an appeal from a final office action dated July 24, '07. First, I'd like to give a summary of the subject matter of the claims and address the outstanding rejection.

In general, the application is directed to systems and methods for check processing. What we're talking about is check processing at the payor bank.

So as you can imagine, check processing involves a number of different phases, if you will. So we can start with the payor sends a check to a payee, let's say me to my credit card company. That payee then submits those checks or deposits them with the payee's bank.

So there's some activity that goes on there. Let's say it's the credit

1 card company that's getting thousands of remittances and checks from
2 customers, and it sends those to its bank.

3 Then the next phase is presentment, so that's where the payee's bank,
4 or the bank of first deposit as it's sometimes called, submits all of the checks
5 to the payor bank so that those checks can be posted and presumably
6 honored, cleared and settled.

7 What you're going to see with this particular case is that the reference
8 is really directed to a different phase of this overall check-processing process
9 than the focus of this appealed application.

10 I think what you're going to see also is this is a case where the
11 admitted prior art in the application is really the closest prior art, and that's
12 why Applicant disclosed it.

13 The Examiner hasn't relied on that admitted prior art to form what I
14 think would have been a better rejection. Instead he has gone to a reference
15 that, again, deals with a separate phase in the process.

16 So it's in the field. I'm not suggesting it's nonanalogous art, this
17 primary reference of Gear, but it becomes tricky because you're taking a
18 reference and trying to stretch it and make it fit where it really doesn't fit.

19 So to place it in context, the closest prior art to the invention is figure
20 1 in the application. Figure 1 in the application, which I've marked up
21 generously, shows checks transmitted from a payee bank to a payor bank.
22 So the payee bank is bank 10 there on the left-hand side. The payor bank is
23 the big block 20.

24 So you see all the activity that takes place inside the payor bank,
25 which is receiving these checks and processing them, and ultimately settling
26 them.

1 The closest prior art describes a process where, first, there's an ECP
2 file, an electronic cash presentment file, that's transmitted from the payee
3 bank to the payor bank. Forgive me, sometimes I'm going to transpose the
4 payor and payee.

5 Then separately the paper checks are sent. So you see in figure 1, the
6 payor bank 10 sends an ECP file to database 15 -- see that ECP received
7 from exchange partner?

8 So what that is is it's basically an electronic replacement of what used
9 to be called the cash letter. In the old days, instead of sending electronic
10 files, you would send a cash letter, a cover letter, saying, Here's all the
11 checks, here's the amounts, and then you would have a bundle of checks sent
12 with that.

13 Now what you do is you send this ECP file so the payor bank gets that
14 ahead of time, and then in a timely fashion you get the paper checks. So
15 that's the airplane number 40 in the figure 1 prior art.

16 Then what happens is that first set of data is processed through this
17 database 35 where posting takes place and a check is either honored or not
18 honored. There's an index serial number attached to that piece of data.

19 Then separately there's a second index serial number -- I call it ISN
20 number 2 in the appeal brief -- that's associated with the physical checks that
21 are sent separately, as indicated by the airplane here.

22 Now, in deficient prior art you have these two index serial numbers,
23 and what you end up with is two index serial numbers tied to a number of
24 different records so that if you want to get an image copy of the check, you
25 have to go through this cross-referencing process, which is reflected in
26 database number 55 here, which basically is a cross-reference between index

1 serial number 1 and index serial number 2.

2 Without making it too complicated, it's a deficient process, but this is
3 the prior art that's closest.

4 So what the invention does is that the invention carries out this
5 processing within the payor's bank in a manner that leaves you with, for each
6 check, one index serial number that can be linked to the electronic check, the
7 ECP items that were transmitted electronically, as well as the image that
8 came from the physical checks that were sent separately and then posting
9 date information.

10 Now, the prior art that's applied, the primary reference, if you look at
11 Gear, the 778 patent, this is one of the Data Treasury patents, in fact. I refer
12 you to figure 2.

13 Essentially, the invention picks up where Gear leaves off. So what
14 Gear is describing -- I refer you to check writers or payors C-1 through C-N,
15 at the top of figure 2 in Gear. They are submitting checks to a payee, so a
16 large credit card company like I described before.

17 That payee has a remote site where it's going to process those
18 remittances. So an invoice, send a check, and the payee -- the credit card
19 company -- is going to go ahead and generate those ECP items. So those
20 little data files that describe this account number, this check number and this
21 amount.

22 The payee, of course, also has a physical check because that's how
23 they generated that ECP item that I just described.

24 So what's going to happen is in block 6 of figure 2 of Gear, you can
25 see there's a document number that's attached to those remittances that are
26 processed at the payee. Then all of that is forwarded to the payee's bank.

1 So payee is a credit card company, and the credit card company has a
2 bank that forwards all that information to the payee's bank -- the depository
3 bank -- which it can then aggregate all of that from multiple different
4 payees.

5 So Bank of America, First USA, et cetera, into the ECP file that I
6 described earlier in connection with our invention. That transmission is
7 going to take place between the payee bank 10 on figure 2 of Gear and the
8 payment system 12, okay?

9 Separate from that -- you see down at the bottom -- the physical
10 checks are transported in this item 21 on the bottom.

11 JUDGE MOHANTY: Are those the actual checks?

12 MR. SCHREINER: The actual checks.

13 JUDGE MOHANTY: Okay.

14 MR. SCHREINER: There's two important things here. The first is
15 that the payor bank processing to post a check, clear the check and to settle
16 is not described whatsoever in Gear. That's over here at payor bank 16.
17 That's where Gear stops and that's where the present invention picks up. So
18 that's the first point.

19 So it really is different. I'm not merely just drawing a distinction, but
20 it helps understand why Gear -- you're taking a square peg and trying to put
21 it in a round hole.

22 The second point to observe with respect to figure 2, there's only one
23 document number that's created in Gear. Remember in the invention as
24 reflected in the independent claims, there's two index serial numbers. The
25 Examiner is saying that Gear shows this document number and this
26 document number is this index serial number.

1 The problem is that Gear doesn't have two index serial numbers, and it
2 makes sense because Gear doesn't need it. Gear has the physical checks at
3 the payee site. The payee has the physical checks, so there's not an ECP
4 data file and then a separate receipt of checks like in the applicant's
5 invention where it's taking place at the payor bank.

6 So it's not in there, and when you think it through it makes sense that
7 there are not two separate sequence numbers in Gear, as there is in the
8 claimed invention. The rest kind of follows as far as the correlating of the
9 disposal or discarding of one of them so you have a single index.

10 Now, referring to the claims, I'll focus on claim 1. Claim 1 and claim
11 36 are the independent claims. Claim 1 is a method claim. Claim 36 is a
12 system claim. They both have similar limitations.

13 Claim 1 recites -- I numbered them steps 1 through 8. The first step is
14 receiving electronic cash presentment file, the ECP file containing first
15 records representing paper-based banking transactions.

16 What we're referring to there is the receipt of this ECP file at the
17 payor bank that I talked about before. Then for each of the records a unique
18 first site in sequence number -- ISN 1, in my language -- is assigned to that
19 record.

20 So the payor bank gets the ECP file that lists all these different checks
21 coming from that payee, and then for each one of those ECP items it's going
22 to assign a serial number, ISN 1.

23 Then in step 3 you receive the paper-based banking transactions after
24 having received the ECP file.

25 Remember how we talked about the payor bank receiving the ECP
26 file, and then later the airplane sends the physical checks. So this step 3 is

1 receiving the physical checks later and separately.

2 Next, in step 4, the process provides for generating second records
3 representing the paper-based transactions. In other words, you get the
4 physical checks and now you're going to generate records, let's say read
5 those checks, the data, et cetera, to generate second records that correspond
6 to those physical checks.

7 Then in step 5 you generate a digital image of the check. Step 6, you
8 assign a second sequence number to the check.

9 So just focusing on a single check that comes from the payee, you get
10 an ECP data item that's basically a record, and it's going to get a data record,
11 and it's going to have an index serial number, number 1.

12 And separately you're going to get the physical check corresponding
13 to that ECP data item. You're going to generate a second record
14 corresponding to that check and give it a second index serial number for
15 tracking purposes.

16 Then what you do in step 7 is as part of the check processing at the
17 site, you have to correlate these two records. You have to make sure that
18 this check that you received and gave ISN number 2 actually does
19 correspond to the ECP item that was sent several days earlier.

20 When that's done, the payee -- you can actually have clearance and
21 settlement, and the payee can be credited with that amount.

22 In the final step, step 8, what you're going to do is discard that second
23 sequence number because at this point you have done the processing to
24 compare the data from the physical check that was sent separately from this
25 ECP item. You've confirmed that they match up, and the payee should get
26 paid.

1 What you can now do is you can discard this index serial number so
2 the image plus the image data record plus the first record, which is the ECP
3 data, plus the post date, all of this can be indexed with a single sequence
4 number.

5 It's applicant's position that steps 4, 6, 7 and 8 of this claim are just not
6 in Gear whatsoever.

7 JUDGE MOHANTY: What do you say about -- I think the Examiner
8 said that the second number is a check number. The second number is just a
9 raw check number on the check. What do you say to that argument?

10 MR. SCHREINER: In all candor it was very difficult to understand,
11 you know, the Examiner said a number of inconsistent things. The check
12 number would be -- that would be a piece of data.

13 If you got the physical check and then you process it, you can pull the
14 check number off it by reading the NCR data, but that's not a generated
15 index serial number that you can use for tracking and matching purposes to
16 compare, as I've described.

17 It's just not there. Like I said, in Gear you don't have any need to have
18 separate index sequence numbers. Where all of Gear's activity is taking
19 place is at the payee, and the payee already has the checks.

20 The payee is not receiving two separate transmissions, you know, one
21 today and another three days later, like the payor is. So he doesn't need to
22 do that.

23 So when you go to Grunwald, if you were to apply Grunwald, which
24 in my view just sort of generally teaches that in databases you can process
25 them to remove redundancies and that sort of thing, even if you said that
26 Grunwald teaches, you know, removing an indexed serial number -- which is

1 not in there but let's just say for the sake of argument that that was the
2 assertion -- well, that would be removing the single document ID number
3 that Gear has.

4 So you'd be making Gear inoperative.

5 JUDGE MOHANTY: In your invention, the discarding of the second
6 data sequence number, is that done digitally? Is that removed from the
7 digital image?

8 MR. SCHREINER: It would be done digitally, correct.

9 Let me see if there's any points I missed here to bring to the Board's
10 attention.

11 Let me just point the Board quickly to the elements that I don't believe
12 are disclosed in Gear, not suggested by Gear, nor is that deficiency remedied
13 by Grunwald. I'll go through those one by one.

14 Step number 4, generating second records representing the paper-
15 based banking transactions. Again, what we're talking about there is you've
16 received the paper checks; several days later you're going to generate some
17 record describing it.

18 Well, in Gear, if you look at figure 2, which is the one that's most
19 pertinent, you're not going to generate second records because you already
20 have the check. So it's not disclosed, and it makes sense that it's not
21 disclosed, and it's certainly not suggested. Actually, that would be
22 counterintuitive.

23 Step 6, assigning a unique second item sequence number to each
24 respective second record. You know, as I explained before, in Gear there's
25 only one document number that you could say corresponds to an index
26 sequence number. There's not two.

1 Number 7, correlating first and second records. Gear does say
2 something in passing about reconciliation down the line, but it's just a very
3 unspecified statement. It's not clear at all what he means by "reconciliation."

4 Here what we're talking about is in Applicant's invention is correlating
5 or proofing as it's described in the narrative is part of the check processing to
6 post, clear, settle. That's just simply not in Gear.

7 Lastly, most clearly the discarding of the second index sequence
8 number so that you can have this linkage between all of these data records
9 that are received separately, ultimately processed against one another and
10 confirmed, and then linked using a single index serial number.

11 Any questions from the Board?

12 JUDGE CRAWFORD: Any questions?

13 JUDGE WALKER: No.

14 JUDGE MOHANTY: No.

15 MR. SCHREINER: Thank you very much.

16 (Whereupon, the proceedings at 9:32 a.m. were concluded.)